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SUBJECT: CHINA: 2009 COUNTRY REPORTS ON TERRORISM

REF: SECSTATE 122733

[¶1.](#) (U) SUMMARY: Below is China's submission for the 2009 Country Reports on Terrorism. The Embassy POC is Donna Gorman, who can be reached via email at GormanDX@state.gov.

[¶2.](#) (U) China continued its counterterrorism cooperation with the United States and other nations throughout the year. In September, the United States and China held bilateral counterterrorism talks in Washington, DC. Plans are underway for multi-agency Track 1.5 talks (to include both government and non-government actors) on counterterrorism. In November, representatives from the Shanghai Cooperation Organization (SCO) attended an international counterterrorism conference in Kyrgyzstan. In July, China held a joint Sino-Russian counterterrorism exercise in Jilin Province. In June, China and Singapore conducted joint counterterrorism exercises in Guilin.

[¶3.](#) (U) Implementation of the Yangshan Deep Water Megaports project was resumed in July 2009 and is administered by the Department of Energy (DOE). The General Administration of China Customs requested that the scope of the Shanghai Megaports project be expanded to 18 Nuctech Radiation Portal Monitors (RPMs) instead of the original 12 RPMs. Because of a global shortage of the helium isotope He3, DOE and Nuctech have had to develop a design revision to accommodate this increased project scope without increasing He3 demand. A solution has been identified with final design contract discussions planned for December 2009. Deployment of this new design will begin in the summer of 2010.

[¶4.](#) (U) China's cash-based economy and robust cross-border trade contributed to a high volume of difficult-to-track cash transactions. Though mechanisms were in place for tracking financial transactions in the formal banking sector, the large size of the informal economy, prevalence of counterfeit identity documents, and large numbers of underground banks presented major obstacles to law enforcement authorities. According to International Monetary Fund statistics, money laundering in China may account for as much as \$24 billion per year.

[¶5.](#) (U) China's anti-money laundering and counter-financing of terrorism (AML/CFT) system was significantly strengthened during 2009, although several key deficiencies have yet to be addressed. In July, at the US-China Strategic and Economic Dialogue (S&ED) held in Washington, DC, the United States and China agreed to strengthen their cooperation on AML/CFT, including counterfeiting. In August, the Securities Association of China provided AML/CFT guidelines to securities firms in China, in an effort to cut off possible sources of funding to terrorists. In November, the Supreme People's Court released a judicial interpretation on money laundering law. The interpretation further expands application of the law to specific non-banking/financial institutions and more widely covers terrorist financing activities.

[¶6.](#) (U) Terrorist financing is a criminal offense in China, however the government has yet to develop an asset freezing and confiscation regime that meets international standards or

that adequately implements UN Security Council Resolutions 1267 and 1373, according to the Financial Action Task Force (FATF). In addition, China's cross-border declaration and disclosure system needs to be strengthened to better prevent terrorist financing activity. China's Financial Intelligence Unit (FIU), housed within the People's Bank of China, works closely with the Financial Crimes Enforcement Network (FINCEN) in the United States to develop its capabilities. In addition to its domestic collection and analysis activities, the FIU exchanged information with foreign FIUs on a case-by-case basis. Coordination in the area could be further enhanced through China's membership in the Egmont Group, an umbrella body that coordinates the activities of over 100 FIUs worldwide. Though China has applied for membership in the Egmont Group, political concerns about Taiwan's participation in the organization have hampered membership discussions.

17. (U) China expanded its role in international efforts to combat terrorist finance and money laundering by becoming a full member of the FATF in June 2007. Since 2004, China has also been a member of the Eurasian Group (EAG), a FATF-style regional body that includes China, Russia, and most Central Asian countries. In June 2008, China also reactivated its membership in the Asian Pacific Group (APG), the FATF-style regional body serving countries primarily located in South Asia and East Asia. In December, China hosted the EAG's bi-annual plenary, providing China an opportunity to enhance its leadership role in AML/CFT issues. The United States actively participates in both the APG and EAG (as a member state and an observer, respectively).

18. (U) Human rights organizations have accused China of using counterterrorism as a pretext to suppress Uighurs, a

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predominantly Muslim ethnic group that makes up the majority of the population within the Xinjiang Uighur Autonomous Region (XUAR) of western China. After widespread rioting in urban areas of Xinjiang in July and September, police moved in and arrested more than 200 people, 17 of whom have so far been sentenced to death. The Chinese government claims that the riots were orchestrated from abroad and that they were therefore terrorist attacks on China.

19. (U) Formally established in 2002, the FBI Legal Attach Office in Beijing bolsters US-China cooperation on counterterrorism investigations. During the 2008 Summer Olympics, China provided substantive intelligence in some cases, however, the bulk of intelligence information regarding potential terrorist threats was provided by the FBI to the Chinese. In 2009, the FBI legal attach and FBIHQ Counterterrorism Division personnel participated in a round table discussion with the China Institute of Contemporary International Relations on terrorism issues. FBI personnel also provided a general overview to Ministry of Public Security Terrorism Department personnel on counterterrorism investigations. Although more work remains to be done in terms of depth and overall responsiveness to US requests, the Ministry of Public Security has agreed to allow FBI agents and other personnel to travel to China in 2010 to provide training sessions on Investigating Terrorism Cases and Policing and Terrorism Investigations.

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